

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

BAB SYSTEMS, INC., an Illinois corporation,

Plaintiff,

V.

Case No. 08CV3737

STEINMAN & STEINMAN, INC., a Florida corporation, Marc Steinman and Lee Steinman, individually and as personal representatives of the Estate of Marvin Steinman and Mara Henderson,

**Judge Lindberg and
Magistrate Judge Cole**

Defendants,

SUPPLEMENTAL DECLARATION OF MICHAEL K. MURTAUGH
IN SUPPORT OF PETITION TO COMPEL ARBITRATION

I, Michael K. Murtaugh, declare as follows:

1. I am over the age of 21 years and I make this supplemental declaration of my own personal knowledge in support of the Petition to Compel Arbitration previously filed by petitioner BAB Systems, Inc. ("BAB") in this matter. If called upon to testify in this matter, I would testify as set forth in this supplemental declaration.

2, I furnished a declaration, dated June 30, 2008 in support of the petition to compel arbitration filed in this cause by BAB. I attached to my Declaration, as Exhibit C, a guaranty dated August 4, 1998, purporting to bear the signatures of each of the individual defendants, Marc Steinman, Lee Steinman, individually and as personal representative of the estate of Marvin Steinman, and Mara Henderson, as well as the signature of Marvin Steinman, deceased. In addition to that guaranty, defendant Mara Henderson signed two copies of a guaranty,

identical in substance to Exhibit C to my earlier Declaration, but which are dated July 20, 1998 and bear the signature of defendant Mara Henderson only. Attached hereto as Exhibit A to my supplemental declaration, is the Henderson guaranty dated July 20, 1998, including both signature pages.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct and executed on July ____, 2008.

Michael K. Murtaugh

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

BAB SYSTEMS, INC., an Illinois
corporation,

Plaintiff,

v.

STEINMAN & STEINMAN, INC., a Florida
corporation, Marc Steinman and Lee Steinman,
individually and as personal representatives of
the Estate of Marvin Steinman and Mara
Henderson,

Defendants,

Case No. 08CV3737

Judge Lindberg and
Magistrate Judge Cole

SUPPLEMENTAL DECLARATION OF MICHAEL K. MURTAUGH
IN SUPPORT OF PETITION TO COMPEL ARBITRATION


I, Michael K. Murtaugh, declare as follows:

1. I am over the age of 21 years and I make this supplemental declaration of my own personal knowledge in support of the Petition to Compel Arbitration previously filed by petitioner BAB Systems, Inc. ("BAB") in this matter. If called upon to testify in this matter, I would testify as set forth in this supplemental declaration.

2. I furnished a declaration, dated June 30, 2008 in support of the petition to compel arbitration filed in this cause by BAB. I attached to my Declaration, as Exhibit C, a guaranty dated August 4, 1998, purporting to bear the signatures of each of the individual defendants, Marc Steinman, Lee Steinman, individually and as personal representative of the estate of Marvin Steinman, and Mara Henderson, as well as the signature of Marvin Steinman, deceased. In addition to that guaranty, defendant Mara Henderson signed two copies of a guaranty,

identical in substance to Exhibit C to my earlier Declaration, but which are dated July 20, 1998 and bear the signature of defendant Mara Henderson only. Attached hereto as Exhibit A to my supplemental declaration, is the Henderson guaranty dated July 20, 1998, including both signature pages.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct and executed on July 29, 2008.


Michael K. Murtaugh

CERTIFICATE OF SERVICE

The undersigned attorney certifies that on July 28, 2008, he caused the foregoing SUPPLEMENTAL DECLARATION OF MICHAEL K. MURTAUGH IN SUPPORT OF PETITION TO COMPEL ARBITRATION to be filed electronically. Notice of this filing will be sent by operation of the Court's CM/ECF system to all parties indicated on the electronic filing receipt.

s/ Marc P. Seidler

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TO THE BAB SYSTEMS, INC. FRANCHISE AGREEMENT
GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this 20th day of July, 1998, by Marc Steinman, Mara Henderson, Marvin Steinman and Lee Steinman.

In consideration of, and as an inducement to, the execution of that certain BAB SYSTEMS, INC. Franchise Agreement of even date herewith (the "Agreement") by BAB Systems, Inc. (the "Franchisor"), each of the undersigned hereby personally and unconditionally (a) guarantees to Franchisor, and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that **Steinman & Steinman, Inc.** ("Franchisee") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including without limitation the provisions of Paragraph 9.f. and 16.d.

Each of the undersigned waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of obligations hereby guaranteed; (4) any right he may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (5) any and all other notices and legal or equitable defenses to which he may be entitled.

Each of the undersigned consents and agrees that: (1) his direct and immediate liability under this guaranty shall be joint and several; (2) he shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and (4) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend his guaranty, which shall be continuing and irrevocable during the term of the Agreement.

7/17/98 9:23AM

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IN WITNESS WHEREOF, each of the undersigned has hereunto affixed his signature on the same day and year as the Agreement was executed.

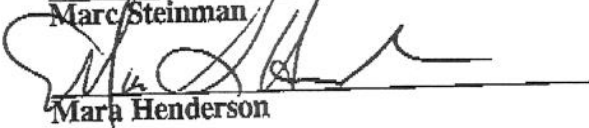
GUARANTOR(S)

PERCENTAGE OF
OWNERSHIP
OF FRANCHISEE



Marc Steinman

_____%



Mara Henderson

25_____%

Marvin Steinman

_____%

Lee Steinman

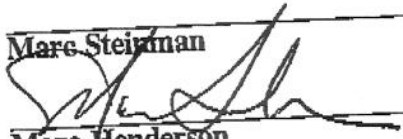
_____%

_____%

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed his signature on the same day and year as the Agreement was executed.

GUARANTOR(S)

Marc Steinman



Mara Henderson

Marvin Steinman

Lee Steinman

PERCENTAGE OF
OWNERSHIP
OF FRANCHISEE

_____ %

25 _____ %

_____ %

_____ %

_____ %